

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7766

Petition of Central Vermont Public Service)
Corporation for approval to renew and modify an)
existing \$40 Million Revolving Credit Facility with)
KeyBank, N.A.)

Order entered: 9/19/2011

I. INTRODUCTION

On July 29, 2011, Central Vermont Public Service Corporation ("CVPS" or "the Company") filed a petition (the "Petition") pursuant to 30 V.S.A. § 108(a) with the Vermont Public Service Board ("Board") seeking approval to renew and modify an existing unsecured \$40 million revolving credit facility (the "Facility") with KeyBank, N.A. ("KeyBank" or "Bank") for an additional term of three years. The purpose for the Facility is to provide liquidity for general corporate purposes, including working capital and power-contract collateral requirements in the form of borrowings and/or letters of credit. The Petition was supported by the testimony of Pamela J. Keefe, Senior Vice President and Chief Financial Officer for CVPS, and by accompanying exhibits.

On August 30, 2011, the Vermont Department of Public Service (the "Department") informed the Board that it had reviewed the petition and supporting documentation. Based on its review, the Department recommended that the Board find the Company's petition to be consistent with the general good of the state without hearing or further investigation. The Department also submitted a separate letter on August 30, recommending that the Board approve the Petition without hearing and finding that the requested \$40 million revolving credit facility as set forth in the Petition is consistent with the *Vermont Electric Plan* pursuant to 30 V.S.A. § 202(f).

I have reviewed the Petition, the supporting testimony, and accompanying documents. I conclude that approval of CVPS's Petition pursuant to 30 V.S.A. § 108 is appropriate and that such approval may occur without hearing. Based upon the evidence of record and the testimony and exhibits presented in this docket, and the Department letters filed on August 30, 2011, I

hereby report the following findings and conclusion to the Board in accordance with 30 V.S.A. § 8.

II. FINDINGS

1. CVPS is a company as defined by 30 V.S.A. § 201, and is subject to the jurisdiction of the Board pursuant to 30 V.S.A. § 203. Petition at 1.

2. CVPS requests Board approval to renew and modify an existing unsecured \$40 million revolving credit facility with KeyBank for an additional term of three years.¹ The purpose of the Facility is to support the Company's short-term working capital needs over the next three years, including those requirements created by internal capital projects under the Company's Asset Management Plan, SmartPower project, and investments in Vermont Transco LLC ("Transco"), plus power-contract collateral requirements in the form of borrowings and/or letters of credit. CVPS may also be subject to increased collateral requirements related to the new power contract with Hydro-Quebec during this three-year period. The general terms and costs of the Facility are provided in the "Term Sheet" from KeyBank, dated July 19, 2011, provided as CVPS Exhibit PJK-1 (the "Term Sheet"). Keefe pf. at 3-4; exh. PJK-1.

3. Under the terms of the Term Sheet, CVPS has chosen a three-year term, expiring three years from the date of closing.² The Facility is unsecured and provides the Company with borrowing flexibility through three interest-rate and term options: (a) the KeyBank Prime Rate plus a margin of 0.0%; (b) the overnight London Interbank Offered Rate ("LIBOR") plus a margin of 1.40%; or (c) one-, two-, or three-month LIBOR options plus a margin of 1.35%.³

1. The outstanding balance on CVPS's existing \$40 million credit line was \$0 as of June 30, 2011. *See* Form 10-Q, Central Vermont Public Service Corporation, dated August 8, 2011, at 24.

2. CVPS believes that the three-year term is supportive of its credit rating with Moody's Investors Service ("Moody's") since Moody's views liquidity as an important ratings factor and values long-term committed credit facilities more than short-term facilities. A credit facility maturing within one year does not meet Moody's definition of "committed" liquidity. Keefe pf. at 4.

3. The pricing option under alternative c is based on CVPS's bond rating at any given time. The Term Sheet provides a pricing matrix for this option which includes a scale based on ratings from both Moody's and Standard & Poor's ("S&P"). Under the matrix, the top rating of A-/A3 yields a margin of 1.00%, with the lowest rating of BB+/Ba1 yielding a margin of 3.00%. Currently, CVPS is rated in the mid-range of the matrix at BBB-/Baa3 providing a margin of 1.35%. Exh. PJK-1.

There is no prepayment penalty or fee; however, standard breakage fees may apply under option c if the repayment occurs prior to the end of the one-, two-, or three-month LIBOR pricing period then in effect. Financing terms and costs include a per annum fee of 15 basis points payable quarterly based on the unused portion of the total amount of the Facility. Based on the current state of the credit markets, and discussions with the investment community, the Company believes that the terms of the Facility are similar to or better than those currently offered by other lenders. Keefe pf. at 4-5; exh PJK-1.

4. As part of the renewal, KeyBank has agreed to remove some of the prior requirements governing the Facility by eliminating the interest coverage covenant and waiving the guarantees of CVPS's subsidiaries, Catamount Resources Corporation and C.V. Realty, Inc. In addition, KeyBank has agreed to eliminate the "Material Adverse Change" clause from the credit agreement, thus providing CVPS with greater assurance of access to capital in times of financial stress. CVPS will be required to maintain its primary cash-management relationship with the Bank. Keefe pf. at 2, 5.

5. As CVPS has done in its prior financing dockets before the Board, it has agreed to promptly inform the Board and Department of any adverse changes in any material terms of the transaction, and will file a set of the principal documents after the closing. Keefe pf. at 5.

6. Entering into the Facility will allow CVPS to maintain financial stability and cash liquidity for general corporate purposes, including working capital and power-contract collateral requirements, with availability for a term of three years. Keefe pf. at 6.

7. As of the date of the Petition, CVPS expects its Board of Directors to approve the Facility in August 2011. Keefe pf. at 6-7; exh. PJK-2.

III. DISCUSSION

Based on the evidence, I conclude that CVPS's petition to renew and modify its unsecured \$40 million revolving credit facility with KeyBank will be consistent with the general good of the state. The Facility will allow CVPS to continue to meet its short-term working capital needs over a three-year period, as required by its planned capital projects and its investments in Transco. In addition, the Facility will enable the Company to comply with its power-contract

collateral requirements and access the power markets thus maintaining the Company's financial stability. Therefore, I recommend that the Board find that approval of CVPS's petition is consistent with the general good of the state and issue an order to that effect.

The parties have waived their rights to file exceptions and present arguments under 3 V.S.A. § 811. Therefore, the proposal for decision has not been served on the parties.

Dated at Montpelier, Vermont this 16th day of September, 2011.

Jay E. Dudley
Hearing Officer

IV. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board ("Board") of the State of Vermont that:

1. The Findings, Conclusion and recommendation of the Hearing Officer are adopted.
2. The terms and conditions proposed by Central Vermont Public Service Corporation ("CVPS") to renew and modify its existing \$40 million unsecured revolving credit facility with KeyBank, N.A. ("KeyBank"), for a term of three years, are consistent with the general good of the state.
3. Pursuant to 30 V.S.A. § 108(a), consent is hereby given to CVPS to enter into an unsecured \$40 million revolving credit facility with KeyBank for a term of three years, according to the terms and conditions as set forth in the Findings above.
4. This Order does not constitute approval of any particular capital or operating expenditure nor the underlying capital structure that CVPS may implement. Nothing in this approval shall preclude the Department of Public Service ("Department") or any other party, or the Board, from reviewing and/or challenging those expenditures and/or CVPS's resulting capital structure in any future proceeding.
5. CVPS shall inform the Board and the Department of any material change in the terms and conditions of the financing, if any, prior to closing.
6. Upon request, CVPS shall provide the Board and the Department with a complete set of final executed documents when they are available.

Dated at Montpelier, Vermont, this 19th day of September, 2011.

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| <u>s/James Volz</u> |) | |
| |) | PUBLIC SERVICE |
| |) | |
| <u>s/David C. Coen</u> |) | BOARD |
| |) | |
| |) | OF VERMONT |
| <u>s/John D. Burke</u> |) | |

OFFICE OF THE CLERK

FILED: September 19, 2011

ATTEST: s/Susan M. Hudson
Clerk of the Board

Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.